Weekly Product Report

Energy Sector

Weekly Product Report

Amelia Putnam
Associate | Energy Sector
putnamamelia8@gmail.com

Niall Marley
Analyst | Energy Sector
niallmarley1@gmail.com

Aidan Murphy
Analyst | Energy Sector
aidanjm13@gmail.com

Summary of Weekly Themes

- **U.S. oil inventories rose during February.** Crude stocks saw a **build of 5.50 mm barrels,** and the SPR saw a **build of 615.00 k barrels**
- **U.S. refined product inventories fell larger than expected in February.** Gasoline stockpiles **fell 3.10 mm barrels against expectations of a 300.00 k build**. Refined product supply is falling because refineries are shutting down due to seasonal maintenance
- **U.S. natural gas consumption reached record highs in January**. Natural gas consumption was **141.50 Bcf/d compared to 137.80 Bcf/d a year earlier**. This was due to **a large mass of arctic air** that covered a significant portion of the United States during January
- **Oil prices reached a 5.00% w/w gain; however, it retreated 0.25% on Friday.** The increase in prices was due to Israel declining a ceasefire offer with Hamas and U.S. strikes on Iran militant groups
- **United Arab Emirates invests $150.00 bn into boosting production capacity**. The UAE is expecting crude production capacity of **5.00 mm Bdl/d by 2027 from its current 4.00 mm Bdld.** The UAE currently produces 3.00 mm Bdl/d due to voluntary production cuts by OPEC
- **Brazil's hydropower is decreasing demand for natural gas**. Brazil's gas imports **fell to their lowest levels in two decades at 228.00 Bcf in 2023** from 317.00 Bcf in 2022 and 596.00 Bcf in 2021
- **BP and Shell both restart refinery operations**. BP is planning to restore 435.00 k Bdl/d refinery in Whiting, Indiana. Shell will begin operations at a dual plant in Nigeria with 210.00 k Bdl/d

Looking Ahead

The Energy Sector's global energy outlook remains relatively similar to the past few weeks in 2024. Our position on low volatility within the oil market remains the same, even as WTI prices surged above $76.00 and Brent above $81.00 on Thursday. The sector believes that despite oil prices jumping 3.00% w/w due to the Israel Prime Minister Benjamin Netanyahu rejecting a ceasefire proposal by Hamas and the U.S. killing a commander from Kataib Hezbollah, prices will drop back down in the following days. As long as physical supply in the Middle East is not hindered, the sector expects oil prices to remain low due to continued high production in the U.S. and other non-OPEC nations. China's economy continues to struggle, with their newest deflation data showing a decrease of (0.80%) y/y. On the other hand, the U.S. gasoline inventories declined by 3.15 mm Bbl last week, exceeding expectations for a 140.00 k Bbl draw. These high levels of oil demand are not expected to be retained heading into the next few weeks, especially with the latest data out of China showing a weaker economy. The sector also remains bearish on natural gas, as futures continued to drop 12.00% w/w and are at the lowest level since September 2020. Natural gas production throughout the world has reached near-record levels as the severe cold from January has passed, and most wells have resumed operations. Temperatures are expected to remain above average for the next week, only making the sector's demand forecast more bearish.

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Weekly Product Report

Equity Derivatives Sector

Weekly Product Report

Christian Ball
Associate| Equity Derivatives Sector
christianball8223@gmail.com

Sean Cherry
Analyst | Equity Derivatives Sector
seancherry0@gmail.com

Jasmine Mansourov
Analyst | Equity Derivatives Sector
Jasminemansourov@gmail.com

Mark Ruccio
Analyst | Equity Derivatives Sector
MarkRuccio@gmail.com

Summary of Weekly Themes

- The major indices ended the the week in the green. **The NASDAQ was up 2.41%, the DJIA was up 0.32%, and the S&P 500 was up 1.40%**
- **ISM Services PMI** came out this past week at **53.40** for January, higher than the previous 50.50, and beating expectations of 52.00 - showing the strongest growth the services sector has seen in four months
- **Consumer credit rose by $1.50 bn** in December, lower than initial forecasts of a $15.00 bn increase. Compared to the previous $23.40 bn gain, the reading shows consumers are pulling back on borrowing in December and showing the slowest pace of credit growth since August
- **Initial jobless claims fell to 218.00 k** from the previous 227.00 k last week. Falling lower than the forecasted 220.00 k, it shows how these claims are becoming more normal after usual holiday fluctuations
- **Eli Lilly and Co (LLY)** reported their earnings this past week, **beating expectations of both EPS and revenue by 55.14% and 4.27%,** respectively. This is driven mainly because of their new weight loss drug, Zepbound, and higher prices for their diabetes treatment, Mounjaro
- **PepsiCo released earnings**, and they **beat expectations**. The stock still traded down due to **revenue slides** for the first time in four years.
- **CPI data released today** showed a huge sigh of relief for the Fed. Data shows **core inflation came down** in the second half of 2023
- **Disney (DIS) earnings came out higher** than expected for **EPS**, **surprising by 17.80%**, while revenues missed by (0.94%). Their shares rose around 7.00% in extended trading amid pressures to improve its results from Nelson Peltz and Blackwells Capital

Looking Ahead

Next week, markets will be getting economic data in the form of the inflation rate, retail sales, preliminary building permits, PPI, and the preliminary Michigan Consumer Sentiment reading. Equity markets will also be assessing earnings releases from Coca-Cola (KO), Cisco (CSCO), Applied Materials (AMAT), and Airbus (EADSY). The inflation rate is expected to come in at 3.00% y/y, down from the previous reading of 3.40% y/y. The core inflation rate is expected to come in at 3.80% y/y, down from the previous reading of 3.90% y/y. If both of these measures do indeed come down, we could expect to see the Fed's rate cuts continued to be priced in for May, with some potential renewed speculation for a March rate cut. Retail sales are expected to decrease to 0.10% m/m from a December reading of 0.60% m/m. This decrease in retail sales would be a sign of consumer spending potentially beginning to wane significantly, a good sign for the Fed being able to cut rates sooner rather than later. This has the potential to spur another equities rally next week. PPI is expected to come in at 0.10% m/m, up from a (0.10%) m/m reading in December. Additionally, the Michigan Consumer Sentiment is forecasted to slightly increase to 80.00 from a previous reading of 79.00. The earnings releases this week could give indications that help decipher whether the strong earnings releases thus far can continue. If they continue to beat expectations, we have potential for more record highs in the S&P 500.

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Foreign Exchange Sector

Weekly Product Report

Jacob Zielinski
Associate | Foreign Exchange Sector
jakez5746@gmail.com

Michael McGinley
Analyst | Foreign Exchange Sector
michaelmcgin3@gmail.com

Nicholas Bauco
Analyst | Foreign Exchange Sector
nickybauco@gmail.com

Summary of Weekly Themes

- The DXY was relatively stagnant as the index did not see any major developments and awaits economic releases in the next week. The most major movement came as a result of changes in **CPI numbers which were revised down slightly from a 0.30% rise to a 0.20% rise**
- AUDUSD traded up slightly this week as the **RBA held rates at 4.35%.** Rhetoric from the RBA also helped the pairing gain strength as Governor Michele Bullock turned relatively hawkish. **Inflation in Australia remains elevated at 4.10%, significantly above their 2.00% target**
- USDCAD traded down on Friday following strong unemployment data coming out of Canada, the **unemployment rate came in lower than expectations at 5.70% and net change in employment at 37.30 k** which is more than double what was expected. Lagging increases from U.S. nonfarm payrolls had the pairing trading up early in the week, though towards the end of the week the pairing traded down after a generally quiet week
- EURUSD climbed slightly even while **retail sales for the E.A. declined to (0.80)% y/y for December**. The services sectors have also been improving across the E.A. as Italy, France, and Germany all had strong services PMI readings, beating expectations. The pairing did not move much this week as markets are waiting for more information on GDP and from the ECB
- GBPUSD traded up slightly from like-for-like **retail sales for the U.K. beating expectations coming in at 1.40% y/y**. The U.K. also had strong PMI data for services and composite showing strength in their economy, specifically in their largest industry, the services sector

Looking Ahead

The sector will monitor speeches from many central banks in addition to numerous points of economic data from the U.K., U.S., E.A. and Japan. Firstly, Philip Lane and Piero Cipollonne of the ECB and Michelle Bowman of the Fed are set to speak early next week. We will monitor their rhetoric and what this could mean for rate cuts in their respective countries. The U.S. is set to release retail sales among other economic data which we will monitor as it relates to the Fed and USD. Further, CPI is being released next week which is one of the biggest metrics in the strength of the dollar. The Fed will be monitoring this release closely and markets will likely be incredible receptive to good news making it crucial to look at. In the eurozone, GDP numbers for Q4 will be released towards the middle of next week which is an incredibly important metric. Not only is it one of the most important metrics for the ECB, but it is also influential in the currency pair itself. If GDP is weaker than expected, it could be a highly negative indicator for the Eurozone and could drive investors away especially considering stagnant GDP over the past two quarters. Retail sales and PPI is also set to be released in the U.K. which again may prove an important metric for the BOE. In Japan, PPI is set to be released on Monday and GDP for 4Q2023 is set to be released on Thursday. The sector will monitor these releases as they may be influential in the BoJs decision to hike rates.

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Index Derivatives Sector

Weekly Product Report

Sid Anil
Associate | Index Derivatives Sector
sidanil2004@gmail.com

Samuel Arrage
Associate | Index Derivatives Sector
sarrage18@gmail.com

Alex Micca
Analyst | Index Derivatives Sector
alexmicca04@gmail.com

Cole Woolard
Analyst | Index Derivatives Sector
colewoolard05@gmail.com

Summary of Weekly Themes

- The U.S. Indices remained in the green for the fifth straight week, as **the S&P 500, Nasdaq, and Dow Jones indices rose 1.40% w/w, 2.41% w/w, 0.32% w/w**, respectively**.** The S&P hit 5,000.00 points for the first time as large technology companies continued to roar as Wall Street now sees 4Q2024 earnings growing 6.50% y/y for S&P 500 members, on average
- **The Nikkei 225 stayed hot, returning 1.31% w/w**. A weak JPY and a dovish BOJ continues to push Japanese equities to new heights. Monetary policy is not expected to tighten, due to a lack of steady increases in price levels. Investors continue to shift Asia-Pacific equity investments into Japan
- **The Hang Seng Index experienced volatility, rising 2.67% w/w** with confidence early in the week from the China's securities and regulatory commission stating that it would "guide institutional investors to enter the market with greater efforts." On Wednesday, the optimism was hindered by the fourth straight month of deflation data coming out at (0.80%) y/y
- **U.K.'s FTSE 100 fell (0.56%) w/w**, with continued skepticism on the BOE cutting rates with weak signs of stability. The pharmaceutical and biotech sector fell (4.34%) w/w, following AstraZeneca's weak earnings report
- **Argentina's Merval Index plummeted (14.26%) w/w** due to significant difficulties in the passing of President Milei's new economic reform bill. It was rejected on an article-by-article approval process. Milei accused governors of seeking to "destroy" his sweeping economic reform bill leading to an uneasy market reaction after extreme growth in past months
- **India's Nifty 50 Index fell (0.55%) w/w**, as the RBI held rates at 6.50% and investors await inflation data next week in U.S., U.K., and India

Looking Ahead

Movement in global equity indices this week was largely driven by continued hawkish sentiment from the Fed. Strong labor market data regarding nonfarm payrolls and wages demonstrates an accelerating U.S. economy and sticky inflation. Thus, borrowing costs are expected to continue to stay higher for longer and priced in rate cuts continue to be pushed back further. The Sector is currently monitoring India's benchmark Nifty 50 Index, which has surged almost 3,000.00 points since late October of 2023. The Sector will be analyzing Fed rate cut projections, China's economic future, and strong Indian economic data, all strong drivers for the Nifty. The Sector is constructing a bullish leaning long volatility outlook on the performance of the index over the course of the next few months. China's real estate crisis has forced the U.S. to redirect a lot of its offshoring into India and the Fed's monetary monetary can trigger significant price fluctuation in the index. The end of the Fed's historic hiking cycle and dovish pivot toward cut expectations drove up the Nifty in late 2023. Longer than expected hawkish sentiment could swing the index in the other direction. Thus, the Sector seeks to capitalize on potential volatility. Additionally, the Sector leans bullish. India expects its economy to grow by 7.30% this year, the highest rate of any of the major global economies, complemented by surges in foreign direct investment. Ultimately, the Sector looks to capitalize on volatility and bullish price movements in the Nifty 50 Index in the upcoming months.

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Interest Rate Products Sector

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Matthew O'Donnell
Associate | Interest Rate Products Sector
matthewodonnell661@gmail.com

Ryan Criste
Analyst | Interest Rate Products Sector
ryancriste2@gmail.com

Andre Johnson
Analyst | Interest Rate Products Sector
andretimothyjohnson@gmail.com

Summary of Weekly Themes

- **The Ten-Year Treasury note rebounded to 4.18%** on Friday, Feb 9th, the highest level since mid-December, as investors interpreted the downwardly revised CPI data as a signal that the U.S. economy is signaled to decline
- **U.S. CPI increased 0.20% m/m in** December, revised down from 0.30%, showing elevated interest rates are having an effect on the economy
- **U.S. initial jobless claims fell by 9.00 k to 218.00 k** from the prior week's upwardly revised value, showcasing the economy's strong job market
- **ISM Services Index rose to a four-month high of 53.40** in January**,** up from 50.50 in the prior month due to looming interest rate cuts fueling optimism within the job market and the economy as a whole
- **U.S. trade deficit fell in 2023FY to the lowest level in three years** and boosted GDP, adding to the economy's strong performance in 2023FY
- **U.S. consumer credit increased by 1.50 bn** in December, after a 23.40 bn gain in November, as consumers have shown reluctance to borrow
- **Wholesale inventories in the U.S. rose 0.40%** in December**,** following a 0.70% increase in November, as business benefited from strong sales
- **ISM Non-Manufacturing Prices increased to 64.00** in January, while being forecasted to decrease to 56.50 due to interest rates being held
- **Average hourly earnings rose 4.50% y/y, and 0.60% m/m** for January as the job market continued to fight back against elevated rates
- **Private nonfarm payrolls increased to 317.00 k** in January following a previous 278.00 k in the month of December, and a forecast of 155.00 k, signaling strong hope for the U.S. economy amid high interest rates

Looking Ahead

In the coming week, the sector will be monitoring a variety of data and rhetoric to gain some insight surrounding when the Fed will cut. Important economic indicators in inflation and the labor market will be released and watched closely. Headline and core CPI will be released next Tuesday, with headline forecasted to drop slightly to a reading of 3.00% y/y and core to remain relatively flat at 3.80% y/y. We will also get retail sales the following day, which is supposed to drop significantly from its high reading of 0.60% m/m in December to just 0.10% m/m in January. A hot retail sales number may boost markets confidence surrounding the economy and push back expectations surrounding rate cuts. Throughout the week we will also get PPI and initial jobless claims numbers. We will also get earnings from companies such as Coca-Cola, Sony, Airbnb, Moody's, CME Group, and Marriott which can all provide valuable insight into the different industries and give some forward guidance as to what markets can expect from these different industries going forward. Germany, Great Britain, Spain, and France will all be releasing January CPI figures which will provide investors some guidance as to the timing of cuts in Europe. This week will be a little bit of a pause after the incredibly busy past two weeks, but the sector will monitor the different indicators and how markets change expectations going forward.

Weekly Product Report

Metals Sector

Weekly Product Report

Brandon Bayer
Associate | Metals Sector
bayer1616@gmail.com

Sougi Akurathi
Analyst | Metals Sector
sou.akuathi@gmail.com

Anthony Buoscio
Analyst | Metals Sector
anthonybuoscio1@gmail.com

Matthew Hoban
Analyst | Metals Sector
matthoban12@gmail.com

Summary of Weekly Themes

- **Gold prices dropped 0.42% w/w** as markets continued their downward revisions on initial projections for early rate cuts in 2024. CME FedWatch tool currently projects a 15.50% chance of a cut in March and a 59.20% chance of at least one cut after the conclusion of the May 1st meeting
- **Silver prices rose 0.11% w/w,** as recent economic data suggests a higher-for-longer stance by the Fed. The downward pressure on silver prices has seen some relief through supply and demand dynamics; The Silver Institute upgraded its 2024 deficit projection to 198.00 mm oz
- **Copper prices fell 3.49% w/w,** as pessimistic economic outlooks on the Chinese economy persist. Deflation unexpectedly rose to 14.00-year highs, and its manufacturing PMI remains in contractionary territory. Furthermore, copper inventories in major Chinese warehouses are up 120.00% YTD, bringing light to a lack of demand from the world's leading consumer
- **Palladium prices plummeted 7.88% w/w.** The Russia-Ukraine war has put constraints on trade routes in and out of Russia. Russia, the leading producer of Palladium, has slowed its exports recently. Palladium demand, however, has decreased due to a lack of interest in the metal
- **Platinum prices declined 2.27% w/w** Platinum demand has decreased significantly this year as leading consumer China continues to struggle in its industrial activity. The World Platinum Investment Council is projecting a 540.00 k ounce deficit in 2024, limiting the price fall for the metal
- **Aluminum prices increased 0.44% w/w.** Aluminum prices have held relatively steady over the past month. Markets are weighing the possibility of an EU ban on Russian aluminum as sanctions for their invasion of Ukraine

Looking Ahead

In the coming weeks, the Sector will monitor Gold prices due to a wavering and unstable dollar. As more U.S. data comes out in upcoming weeks with expectations of weaker economic data, Gold is expected to strengthen and stay stable. Furthermore, the Silver Institute stated that the metal could hit 10.00-year highs due to an increase in demand for silverware and jewelry, further contributing to the rise in price for silver. There are also mining struggles in some of the top-producing Silver countries in the world, further creating a deficit and inflating Silver prices further. The Sector anticipates an increase in price for precious metals in the upcoming weeks due to expected weakening economic data and an increase in demand for luxury and industrial purposes. But in the case of industrial metals, the Sector anticipates a short-term decline in prices due to a struggling Chinese economy. The Sector does not expect the Chinese economy to release stimulus and predicts that it continue to stall due to a struggling real estate market. Moreover, as the Chinese real-estate industry suffers, the Sector expects industrial metal prices to decrease temporarily due to a lack of demand. The lack of excitement in China creates a bearish sentiment for industrial metals in the short term. Moving forward, the Sector will monitor economic data and actions from China as the industrial metals outlook of the Sector is continuously revised.